

KENTUCKY DEPARTMENT OF EDUCATION (KDE)

DISTRICT FUNDING AND REPORTING BRANCH

DISTRICT FINANCIAL MANAGEMENT BRANCH

FINANCE NEWSLETTER

January/February 2013



Dates to Remember:

January 2 – Comments regarding Redbook due to Kevin Brown



Happy New Year!!!



FY 2011 Audit Analysis Review

The FY 2012 Financial Audit Reports and audited Annual Financial Reports (AFRs) are being reviewed by the Division of District Support, District Financial Management Branch. The two-tiered approach to the audit reviews is being followed again this year, with Tier 1 being a more general overview, while Tier 2 will involve a more detailed examination of the financial comparison of the audited AFR and the audit report.

The current audit review plan is for each district to receive a Tier 2 audit review once every four years, excluding Fayette County and Jefferson County, since they will receive the Tier 2 review every year. The remaining districts will receive a Tier 1 audit review. If problems are detected during a Tier 1 review, staff will expand the examination into a Tier 2 review. KDE staff will be contacting districts' superintendents, finance officers and/or auditors for more information during the review process, as needed.

Finance Officer Certification

KDE is exploring the possibility of a certification program for school district finance officers. The central notion is to require certain education and/or experience to become initially certified and a continuing education requirement (similar to the process already in place) to annually renew the certification. A grandfather clause would exempt individuals already employed as finance officers from the initial certification education/experience requirements.

Please submit your ideas and comments regarding this topic to Susan Barkley at Susan.Barkley@education.ky.gov.



Federal Reimbursement Electronic Funds Transfer (EFT) Payment Option

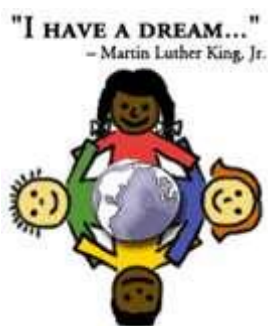
KDE would like to take this opportunity to encourage those districts that still pay by paper CHECK to change over to “Electronic Funds Transfer (EFT)” for the “Federal Reimbursement of Health Benefits” payment. This process is an online transaction through a secure website called “Kentucky.gov ACH Pay” that is handled by the Finance-Controller’s Office. You will need to register with “Kentucky.gov” before you can be granted access to the “ACH Pay application.” This only takes a few minutes and you can be setup within one to two days.

Our goal is to help make the payment process of the “Federal Reimbursement for Health Benefits” as simple and easy as possible for districts. There are many benefits to using the EFT payment process, e.g., there would be no more lost checks and the payment is easily traceable. Below is the link to the webpage that has the instructions and the form that you will need to fill out and e-mail or fax back to Donald Sweasy after you get registered.

The form and instructions to get setup are listed under the “Federal Reimbursement of Health Benefits On Behalf Payments” titled: KY Gov ACH Pay Guide Form, ePay EFT Authorization Examples and ePay EFT Authorization School Boards:

<http://education.ky.gov/districts/FinRept/Pages/On-Behalf-Payments-Information.aspx>

If you have any questions concerning the Federal Reimbursement EFT payment setup, please contact Gail Cox at (502) 564-3846, ext. 4462, or Gail.Cox@education.ky.gov.



School District Finance Contacts

KDE's Division of District Support maintains the global **All State MUNIS Finance Contacts** e-mail distribution list and **School and District Contact Information** located at <http://applications.education.ky.gov/sdci/> under the **Other Roles Information, Director of Finance and Business** section. Please note that the district's finance officer contact information is only listed in the **Director of Finance and Business** section. The **All State MUNIS Finance Contacts** e-mail distribution list includes the districts' finance officers and additional finance contact names.

Please e-mail [Brenda Withrow](mailto:brenda.withrow@education.ky.gov) the following information if there has been a change to your district's finance officer or contact information. This will allow the district's finance contacts to receive timely financial information from KDE:

- 1) district name
- 2) **new** finance officer name
- 3) new finance officer employment start date
- 4) **old** finance officer name to be **deleted** from district's finance contact information
- 5) additional district finance contact names to be **added** to the district's finance contact information
- 6) additional district finance contact names to be **deleted** from the district's finance contact information

Please forward any questions to Brenda Withrow at brenda.withrow@education.ky.gov.

Budgeting On Behalf Payments

Health insurance premiums and other items that are paid by the state on behalf of school districts are revenues and expenditures to the school districts, according to generally accepted accounting principles. When on behalf payments were first recognized in school district financial statements, KDE advised districts to omit those amounts from their budgets. Now that all districts are recording on behalf amounts in their financial statements and the effect of those amounts are material, we recommend that you include the estimated on behalf amounts in the tentative, working and final budgets. The latest actual amount adjusted by any known significant changes would be one way to determine the amount to budget.

Advantages to budgeting on behalf amounts include:

- The budget is complete with all revenues and expenditures recognized in the financial statements.
- The same accounting principle is used in both the budget and the financial statements.
- Doing so eliminates the need for a reconciliation between the budget and actual results.
- It is easy to compare budget to actual results.

Updates for Tentative Budget and Working Budget

There will be some additions to the Tentative/Working Budget Submission Guides that KDE would like for you to be aware of now before these are due starting with the Tentative Budget in May. These should help districts during their budgeting process.

1. There is now an error check for debt service. All debt service must be in Fund 400 and Fund 410 has been eliminated from the Chart of Accounts.
2. There are a few notes added to help districts with their budgeting. Certain line items will be compared to the most recent Audited AFR to make districts aware of possible shortfalls in the budget. These notes are for informational purposes only and will not prevent the submission of the budget.
3. A note has been added to check for federal rebates for debt service that needs to be in Fund 400, Function 0000 and Object Code 4900.
4. A note has been added to compare the budgeted amount for payment of principal and interest on any revenue bond debt to ensure it is at least 95 percent of total due for that year according to the debt service schedule maintained at KDE. This note is for informational purposes to alert districts of a possible shortfall in the budget and will not prevent the submission of the budget.



Indirect Costs

If you have questions about how to charge indirect costs throughout FY 13, there is some additional guidance available on the [KDE website](#). The “Indirect Cost Guidelines 2012-2013” provides the basic information you need to charge indirect costs. A video discussing the guidelines is available as well as the PowerPoint slides used in the video.

Chart of Accounts Update Coming July 1, 2013

KDE will implement some revisions to the Chart of Accounts effective July 1, 2013. Most of the revisions are “clean up” items involving School and Community Nutrition or clarifications of account names.

Fund 410 will be officially removed now that districts are required to account for debt service payments in Fund 400.

Object 0738 – Instructional Equipment will be deleted. The function identifier “instructional” is achieved through the function code, and the object code identifier is lost. For example, instead of using function 1000 and object 0738 to record a purchase of student desks, you would use function 1000 and object 0733. The instruction component is already identified through the function code, and the object identifier of furniture and fixtures is realized with the object code. Otherwise, there is no way to know if the purchase was furniture, vehicles or technology hardware.

Balance Sheet Objects 6140 through 6149 will be deleted. They are currently identified as “user-defined” codes. KDE cannot aggregate data in user-defined codes because each district could be using them for a different purpose. Based on our data, it appears that only two districts are using this series of codes. If you are using them and need assistance in determining where to move the balances, please contact us.

If you have questions or concerns regarding any of the upcoming revisions, please contact Susan Barkley at Susan.Barkley@education.ky.gov.

Chart of Accounts Revisions - Draft ***To be Effective July 1, 2013***

Funds

410 – Delete (no longer valid; must use 400)

6X – Change name to “Fiduciary Fund – Agency Funds”

7X – Change name to “Fiduciary Fund – Pension, Investment, and Private-Purpose Trust Funds”

Functions

2420 – Change the name to “School Based Decision Making”

5200 – Change the name to “Fund Transfers Out”

Objects

0633 – Delete (Per SCN, group sales are not allowed)

0639 – Delete (Per SCN, “other” is not allowed)

0738 – Delete (instruction descriptor should be identified through function, not object)

0925 Bond Discounts – Add

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Revenues

- 1627 – Delete (Per SCN, use 1624 instead)
- 1628 – Delete (Per SCN, this program no longer exists)
- 1632 – Delete (Per SCN, employee purchases are not allowed)
- 1634 – Delete (Per SCN, use 1614 instead)
- 17XX – Change the name to “District Activity Funds”
- 1720 – Change the name to “Bookstore Sales” to correspond to descriptions
- 4800 - Change the name to “Federal Reimbursements In Lieu of Taxes”

Balance Sheet

- 6140 through 6149 – Delete. These codes will no longer be valid.
- 6202 – Change name to “For MUNIS set-up only, DO NOT USE”
- 6262 - Change name to “For MUNIS set-up only, DO NOT USE”

Sales Tax on Vending Machine Sales – FYI

As a result of a question from a district involving sales tax on vending machine sales, we consulted with Ricky Haven, director of the Division of Sales and Use Tax with the Department of Tax and Revenue. Mr. Haven referenced KRS 139.497, which provides an exemption from sales tax for sales made by schools and school-affiliated groups if the proceeds from the sales are spent solely for the benefit of the school or its students. This exemption extends to vending machine sales.

However, vending machines located in staff areas where the proceeds are used for staff gifts, meals, flower fund, etc., are not exempt (because the proceeds aren’t used exclusively for the benefit of the school/students) and, therefore, sales tax must be remitted on those sales. If your vending machines are serviced by the vendor and the school receives a check for the commission from the sales, the vendor is responsible for handling the remittance of any sales tax that might be applicable. If school employees stock the staff vending machine, then ensure sales tax is remitted appropriately.

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